



# Data Equals Revenue

The California Board of Equalization hopes years of work will help its Centralized Revenue Opportunity System pay off.

BY MATT WILLIAMS

**F**our years ago when Eric Steen was working as an IT consultant, a state agency executive complained to him at lunch one day that an additional year was tacked on to a project timeline simply because of data conversion — moving the agency's data from the legacy environment to the new system.

There must be a better, quicker, more efficient way, Steen thought. So in 2011 when he joined the California Board of Equalization (BOE) to be the project director of the new Centralized Revenue Opportunity System (CROS), Steen was open to a new approach.

"We had a discussion early on where we said, 'The track record, unfortunately, isn't what we'd like it to be for public-sector IT projects. What makes us at BOE think we're any different? ... What makes us think we're going to succeed while others have failed?'"

Steen and other members of the CROS management team ultimately decided that more upfront work was needed before the procurement, which will bring in a prime contractor to move the BOE to a modernized \$300 million system interfacing with millions of taxpayers and an estimated 5,000 internal users within the BOE and other state agencies.

During the next four years, the BOE will be migrating off of its three main legacy systems that were built in the 1990s to collect and monitor sales-and-use taxes, some property taxes, special taxes and more. CROS will replace them.

Officials say the modernized system promises to give external customers more access to online services and real-time updated information that can be retrieved 24/7. CROS also should help internal users avoid duplicative data entry and reduce paper-based processes.

It's expected CROS will help California generate as much as \$200 million annually in previously unidentified revenue in part because the system will be more agile — the state will be able to alter it much more quickly to reflect changes to tax rates — and more responsive, allowing businesses to update their licensing information in one spot, among many improvements.

Those benefits will come to fruition only if CROS is implemented well. Increasingly, project managers believe the groundwork for success is laid well before the actual procurement.

For the past three years, Steen and 60 IT staff have been working full-time on what they call "pre-implementation" activities. They've been defining business rules; cataloging and standardizing the 150 interfaces where data will move in and out



Eric Steen, project director of the Centralized Revenue Opportunity System (CROS)

of the system; building a comprehensive data dictionary; cleaning anomalies in the data; and documenting workarounds that have arisen over the years, whether they are through Access, Excel or written on index cards on someone's desk.

These kinds of tasks often are done by a system integrator. It's rare for the government to do them itself.

By defining all the business rules associated with the project requirements, Steen believes the vendor will have more clarity and the needed detail when it's time for the system implementation phase, which is slated to begin the third quarter of 2015. Historically, business rules have been a stumbling block for some of California's large-scale IT projects.

The BOE also has started to utilize what is essentially an online business-to-business gateway to centralize the people, processes and tools necessary to exchange data.

BOE is creating a staging environment which the vendor can use transition into to the target system.

"So if we're successful, the vendor really will focus on dropping the new engine into the car, so to speak; we've already got the hoses and wires plugged in," Steen explained.

The California Department of Technology (CalTech), state CIO Carlos Ramos, the Brown administration and state lawmakers likely are keeping a close watch. The state has been embarrassed by some high-priced project failures in recent years and has responded by moving authority for IT procurement to CalTech, which is trying to speed up the process and get vendors more involved in discussions about project requirements before an RFP is officially released.

"I think the approach we're taking, assuming it works out, could be used as a model for other IT procurements throughout the state of California," Steen said.

Steen said it's important to note that BOE's pre-implementation work is a parallel process to the procurement, not a part of the procurement itself. There isn't a conflict, he said, asserting that it puts the BOE and the contractor in a position to succeed because the state has addressed beforehand many of the issues that cause cost overruns, schedule delays and missed functionality.

The Board of Equalization soon will find out if its novel strategy will pay off. Draft responses to the CROS bid are due Oct. 20. System implementation will begin as soon as October 2015, and CROS is scheduled to be fully live by 2019.

The stakes are high, with an estimated 35 percent of California's revenue flowing through BOE's system— in 2012, that amounted to \$52.5 billion. The potential efficiencies are great, if done right.

"We've looked at all the challenges that have emerged over the years with various other system implementations and tried to think through how we can avoid having those same issues," Steen said. ●